

# U.S. Beef: It's What's for China

June 22, 2017

In June 2017 the U.S. Department of Agriculture (USDA) announced that the United States and China had reached an agreement resolving technical issues that would allow U.S. beef exports to China to resume, thus resolving a long-standing dispute between the two countries. China had banned imports of U.S. beef immediately after bovine spongiform encephalopathy (BSE) was discovered in the United States in December 2003. In 2006, China unilaterally announced that it would lift its ban on some U.S. beef products contingent on certain age requirements and the removal of specified risk material (e.g., spinal cord, eyes). The United States rejected China's conditions, arguing that they ran counter to World Organization for Animal Health BSE guidelines for trade in beef. Talks continued between the two countries, but there was little headway on reopening the China market until 2016.

On September 22, 2016, China's Ministry of Agriculture and the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) [announced](#) that the United States could export to China bone-in and boneless beef from cattle under 30 months of age that met certain traceability, inspection, and quarantine requirements. The specific requirements were to be worked out between U.S. and Chinese officials. Similar to past years, expectations were raised for reopening this market, but negotiations slowly progressed. The process received a boost when President Trump and China's President Xi Jinping met in April 2017 and agreed to a 100-day action plan to advance U.S.-China economic cooperation. On May 11, 2017, the U.S. Department of Commerce issued the [Initial Results of the 100-Day Action Plan of the U.S.-China Comprehensive Economic Dialogue](#). The press release for the *Initial Results* stated the United States and China agreed to another round of technical consultations, after which time China would allow imports of U.S. beef under conditions consistent with international food safety and animal health standards. It was also agreed that China would accept U.S. beef no later than July 16, 2017.

## China's Requirements

On June 12, 2017, the USDA Food Safety and Inspection Service updated the [Export Requirements for the People's Republic of China](#) with the technical conditions that must be met to export beef to China. Accordingly, U.S. beef exports must meet the requirements of the USDA Agricultural Marketing Service (AMS) [Beef Export Verification \(EV\) Program](#) for China. The China beef EV program has five specific requirements:

1. Beef and beef products must be derived from cattle that were born, raised, and slaughtered in the United States; cattle that were imported from Canada or Mexico and subsequently raised and slaughtered in the United States; or cattle that were imported from Canada or Mexico for direct slaughter.
2. Cattle must be traceable to the U.S. birth farm using a unique identifier or, if imported, to the first place of residence or port of entry.

3. Beef and beef products must be derived from cattle of less than 30 months of age.
4. Chilled or frozen bone-in and deboned beef products are eligible for shipment, as well as various offals (i.e., organ meat and parts such as tongue).
5. Carcasses, beef, and beef products must be uniquely identified and tracked up until the time of export.

AMS is to verify that U.S. beef exports meet China's cattle requirements through a documented quality management system verified through audits conducted by AMS. A list of establishments eligible to export beef to China is available on the [AMS website](#). As of June 20, 2017, six U.S. beef plants are listed as being eligible.

In addition to the beef EV program, U.S. beef exported to China must not contain implanted growth hormones, feed additives, or other chemical compounds such as the lean-enhancing drug ractopamine. If the prohibited substances are detected at the Chinese port of entry, the beef will be rejected, returned to the United States, or destroyed. In addition, exporters are responsible for electronically notifying China's AQSIQ of all scheduled U.S. beef shipments to China.

## Expectations for Beef Exports

According to USDA Foreign Agricultural Service [estimates](#), China became the world's second-largest beef importer in 2016. China's beef imports are projected to increase 17% in 2017, maintaining this second position.

During the late 1990s and early 2000s, more than 50% of China's beef imports were sourced from the United States. In 2003, the last year of U.S. access, China's beef imports totaled about 8,100 metric tons (MT), and the United States supplied 65% of Chinese imports that year. China's beef imports have expanded rapidly during the past four years, surpassing 580,000 MT in 2016, with large increases from South America, especially Brazil and Uruguay (**Table 1**). The total value of Chinese beef imports in 2016 was \$2.5 billion. China also imported \$71 million worth of beef offal in 2016.

**Table 1. China's Beef Imports by Source**

	metric tons				
	2012	2013	2014	2015	2016
<b>Brazil</b>	8,802	0	0	56,429	171,157
<b>Uruguay</b>	14,497	70,334	89,080	123,206	155,441
<b>Australia</b>	27,294	154,777	135,210	155,938	110,911
<b>New Zealand</b>	7,456	35,375	40,384	70,266	72,053
<b>Argentina</b>	220	9,220	16,983	42,688	51,957
<b>Other</b>	3,221	24,525	16,983	25,310	18,782
<b>Total</b>	61,489	294,222	297,954	473,835	580,301

**Source:** Global Trade Atlas, China Customs. Beef imports include fresh, frozen, and processed beef. Data do not include offal (e.g., liver, kidney, tongue).

China has become a major player in the global beef import market, and this trend will likely continue given China's rapidly expanding economy and middle class. Most beef analysts view China as a potentially large market for U.S. beef exports. However, the future expansion of U.S. beef exports to China is likely to be slow. According to the [U.S. Meat Export Federation](#), an organization that promotes global exports of U.S. meat, meeting China's conditions requires a

period of adjustment for the beef industry and additional costs. The age limit on cattle does not impose much of a burden, as most fed cattle are slaughtered before the age of 30 months. Major U.S. beef export markets such as Japan and South Korea also have an under-30-month restriction. However, the hormone requirement could be a significant limiting factor at the start. Cattle industry publication *Cattle Buyers Weekly* estimates that only 150,000-175,000 head of cattle are in the USDA *Non-Hormone Treated Cattle* program each year, compared with nearly an average of 21 million head of fed cattle that were marketed through large feedlots in recent years.

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